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National Foreign Assessment Center

Secret

HR

Western Europe Review

7 March 1979

State Department review completed

Secret

RP WER 79-010
7 March 1979

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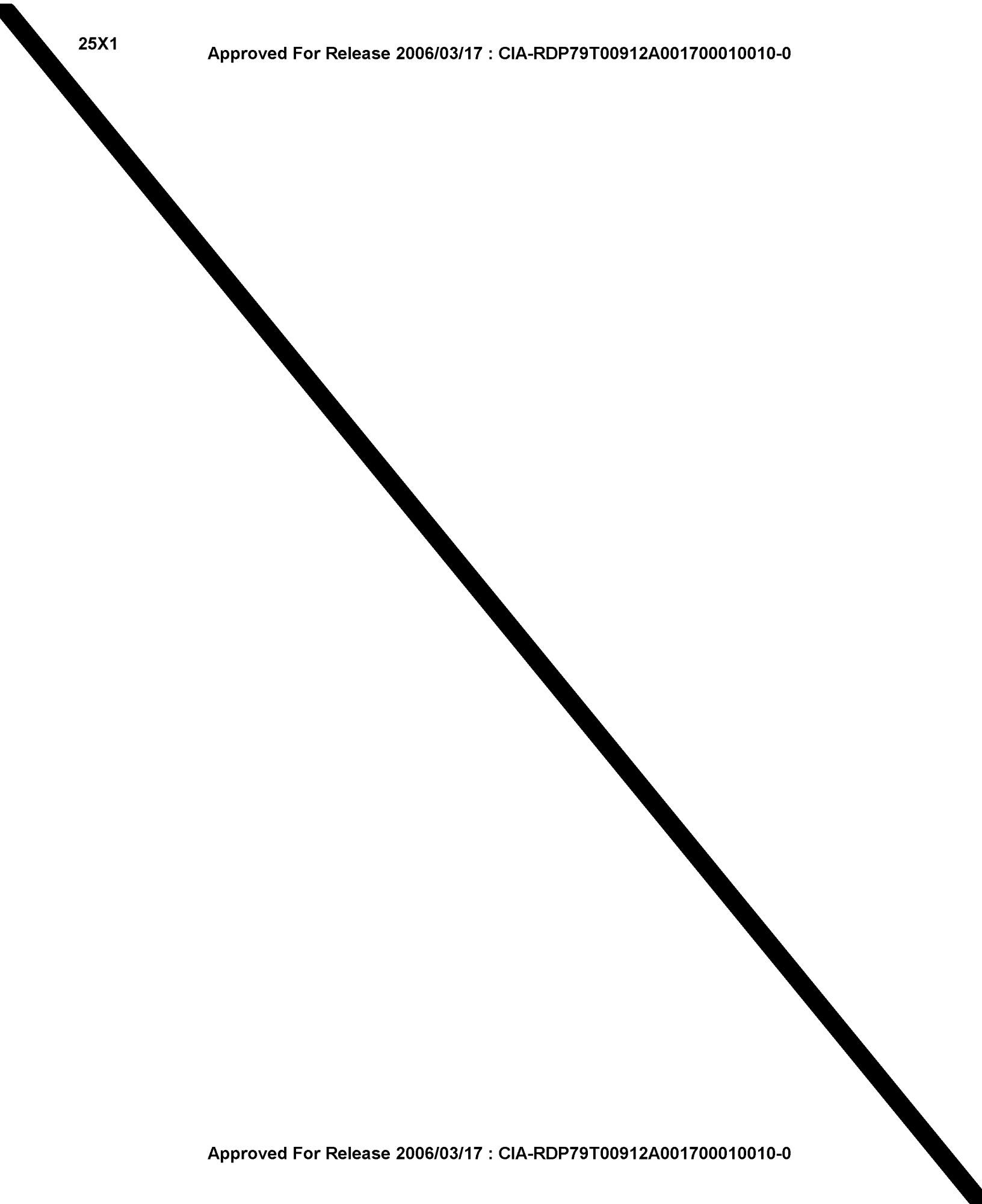

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WESTERN EUROPE REVIEW [redacted] 25X1

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25X1 the Soviets. [redacted]

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Norway's surplus oil revenues clearly have been a bonanza for the Norwegian economy, but they have also brought on a host of unforeseen problems. [redacted] 25X1

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Premier Peter Lougheed has called the voters of resource-rich Alberta to the polls on 14 March in an election certain to return his Progressive Conservative (Tory) government to power for the third straight time. [redacted]

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Italy's Government Crisis: A Tentative Prognosis [redacted] 25X1

Italy's political crisis has a long way to run, and any predictions of its outcome are necessarily speculative. Analysis of the power relationships between and within the principal parties, however, brings one point into sharp relief: there is little prospect that the Italian Communists can be denied a significantly larger and more direct governing role. [redacted] 25X1

This assessment rests on two key assumptions:

-- The Socialist Party will be unable to resolve the internal differences and other problems that prevent it from joining the Christian Democrats in a non-Communist government.

-- The crisis is likely to lead to an election that will not appreciably alter relative party strengths. [redacted] 25X1

Electoral Stalemate

Most political leaders are not enthusiastic about an election. The Christian Democrats, however, insist that the 1976 election gave them a mandate to keep the Communists out of government, and they show no sign of yielding to Communist demands for Cabinet posts. Communist Chief Berlinguer remains convinced that to accept less would leave his party in the same politically exposed position it occupied under Prime Minister Andreotti, when the Communists were pledged to support the government in Parliament but had only a consultative role in policymaking. Only the Socialist Party could break this deadlock--by forming a majority with the Christian Democrats--but the Socialists are unwilling to do so if the Communists are left free to criticize from the opposition. These factors make an early election all but inevitable. [redacted] 25X1

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Election forecasting is more art than science in Italy, where opinion polls are seldom accurate measures of voter sentiment. Moreover, some observers believe the outcome might be different if the contest is held after the European Parliament election on 10 June rather that before; specifically they believe the Socialists would have a somewhat better chance if the European vote occurs first. But most responsible estimates [redacted] 25X1

25X1 [redacted]

predict that whenever national elections are held, the Communist vote would fall by a few points--but not below 30 percent--and the Christian Democratic tally would rise slightly--but would remain around 40 percent. Estimates on the Socialists vary, although hardly anyone says they would score large gains. Most observers believe they would hold their own--9.6 percent in 1976--or gain slightly. Many Socialists, however, fear they would run the risk of a setback. [redacted] 25X1

Of the seven smaller parties that in 1976 took about 18 percent of the vote, the Christian Democrats could not construct a workable alliance with the rightwing or leftwing extremists, who might attract as much as half this vote. The remaining small parties probably could not win enough to give the Christian Democrats a majority without either Socialist or Communist support. [redacted] 25X1

Thus, a new election will almost certainly confirm the predominance of the two major parties, leaving the Christian Democrats with essentially the same options

25X1 they have today. [redacted]

Divided Socialists

But as the current lineup suggests, the Christian Democrats' basic problem is not arithmetical. It is a political problem that centers on the failure so far of the Socialists to establish themselves as a reliable alternative to the Communists. [redacted] 25X1

The Socialists occupy what seems to be a fatally ambivalent position. Even though they were allied with the Christian Democrats in the government from 1963 to 1974, they have never been able to break clear of the

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Communists, with whom they share power in local governments representing about half of Italy's population. To some extent, the ambivalence reflects concern that too exclusive an association with either major party would lead to the Socialists' absorption or demise. It also mirrors a deep and historic split in the party between those who view the Communists as their natural allies and those who are willing to work with the Christian Democrats. 25X1

Socialist Chief Craxi is in the latter category. He seemed during the last year to be giving his party new vitality, primarily by rallying Socialists around the one theme on which they could all agree--Socialist "autonomy." He hoped that, given enough time, this policy would allow him to broaden the party's electoral appeal, distinguish it more clearly from the Communists, and lay the basis for renewed cooperation with the Christian Democrats. 25X1

But Craxi's efforts had gained no real momentum when Berlinguer broke with the Andreotti government last month. Berlinguer's move deprived Craxi of the time he needed and forced the Socialists once again to choose between the Communists and the Christian Democrats--an agony they were spared by the inclusion of all three parties in Andreotti's parliamentary majority. Since then the divisions in the Socialist Party have resurfaced, and Craxi has been forced to adopt the sort of contradictory stance that has always undermined Socialist credibility--claiming Socialist "autonomy" on the one hand while asserting on the other that the Socialists cannot join any government from which the Communists are excluded. 25X1

Berlinguer has thus already achieved one of his goals in bringing Andreotti down; he has demonstrated how little tangible progress Craxi has made and shown that the Socialists are still too weak for the Christian Democrats to lean on. Craxi's hand would be strengthened in the highly unlikely event of a sharp rise in the Socialist vote, say to about 14 or 15 percent. Even then, however, the Socialists would almost certainly want some arrangements ensuring that the Communists would share any blame for unpopular government decisions. So when

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the dust settles, the Christian Democrats will probably still have as their only alternative to Berlinguer a Socialist Party that says it will not enter the government without him. 25X1

Outlook

There are three possible outcomes to the current crisis:

-- Communist entry into the government.

-- A Communist return to the opposition.

-- A compromise solution that denies the Communists Cabinet seats but gives them a substantial and increased voice in policymaking and implementation. 25X1

If the Christian Democrats retain their plurality in an election, they will almost certainly have done so by relying once again on a tough anti-Communist campaign. They are therefore likely to emerge with the same dilemma they have today: in need of Communist cooperation but pledged to keep the Communists out of the government. This dilemma is likely to be compounded by deep divisions in the Christian Democratic Party over how far to go in bargaining for Communist support. 25X1

It might appear that the Communists could simply force their way in, using the party's labor muscle and its apparent ability to cause widespread economic disruption. But it will not be that easy. The Communists are highly skilled at choosing issues with which to pressure the government, but they must be careful not to throw their weight around in ways that damage their responsible image--one of the main factors behind the Communists' strength and their broad appeal. 25X1

In fact, these constraints on the Christian Democrats and Communists are likely to give the smaller parties some leverage even if they perform poorly in an election. Thus the election would not signal an end to political maneuvering. 25X1

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The only result that would slice through all these complications--and bring the Communists immediately into the government--would be one that featured minor party losses large enough that the Christian Democrats would have no alternative to a coalition with the Communists. But that would require a greater polarization of the electorate than seems likely at this point. [redacted] 25X1

Political leaders will thus probably find themselves once again in search of a formula that allows the Communist Party to claim it is part of the government and the Christian Democrats to claim it is not. It will be more difficult to find such a formula this year, however, because the Communists have been convinced by experience that such midstream status poses too many political risks.

25X1 [redacted]

If Berlinguer again agrees to something less than Cabinet seats, he will almost certainly insist on strict guarantees that Communist advice be solicited--and be verifiably heeded--on nearly all policies. Such a package might include "technician" ministers associated with the Communist Party, Communist membership on some sort of formal committee charged with managing economic policy, and a precedent-shattering Christian Democratic agreement to form coalitions with the Communists in some key local governments. In short, Berlinguer would have to be able to say--convincingly--that he stood on the verge of Cabi-

25X1 net status. [redacted]

Despite their distaste for such an agreement, the Christian Democrats are likely to see it as the least objectionable path because the only remaining option--allowing the Communist Party to go into opposition--would probably merely lead the Christian Democrats in a circle. They would have to turn for a majority to the Socialists, who would probably be more inclined to follow the Communists into opposition, leaving the Christian Democrats once again at Berlinguer's door. [redacted] 25X1

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NATO: The Transatlantic Dialogue 25X1

NATO's West European members pressed for a greater US commitment to a "two-way street" in arms purchases at last week's continuation of the transatlantic dialogue. The allies are still dissatisfied with the level of American purchases of West European weapons and defense-related goods and are urging Washington to make a major deal soon. Reflecting a decision of the Independent European Program Group (IEPG), the West Europeans asked Washington to supply them data on US purchases of West European supplies during fiscal years 1974-77, in order to support their contention that such purchases have been decreasing.

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The allies object to US insistence that West European products be economically competitive with US goods in order to qualify for defense contracts. On the contrary, the West Europeans stress that access to the US market is essential if their arms industries are to be competitive.

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The allies resent what they consider to be Washington's roadblocks to Western Europe's attempts to win US defense contracts. They claim that the United States fails to take transportation costs into account when comparing bids, thus widening the disparity between prices of US and West European products. In addition, they complain that US quality standards exceed those of Alliance standardization agreements, the provisions of which are supposed to be reciprocal. This poses problems for West European firms seeking subcontracts from a US prime contractor.

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The West Europeans view US authorization to grant exemptions from provisions of the "Buy American" act as a positive step and hope that this law will not be applied to collaborative West European programs. The IEPG now wants the United States to exempt West European carriers from regulations discriminating against non-US competitors.

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An IEPG ad hoc group has accepted an Italian proposal for Alliance-wide development of a medium-range (50-2,000 meters) antitank weapon. This reflects earlier IEPG approval of a US outline on specific weapons families and cooperative arrangements that might promote cost efficiency and avoid duplication under the Long-Term Defense Plan. The system the Italians have proposed would be a West European product and would be the first of a family of third generation antiarmor munitions. The United States would be expected to take the lead in developing a long-range system. [redacted] 25X1

In related developments, NATO's Conference of National Armaments Directors has made known its intention to act as a forum for proposals designed to encourage standardization and interoperability of military equipment. Moreover, in the wake of the Klepsch Report presented to the European Parliament last June, the European Community has recently begun to grapple with the "two way street" issue. Klepsch had suggested that the Community's machinery could be used to organize and structure the industrial aspects of armaments production. [redacted] 25X1

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European Communist Reactions to the Sino-Vietnamese-Kampuchean War

Each of the three leading European Communist parties--the Italian, the French, and the Spanish--has staked out a position on the Indochina conflict designed to balance disapproval of the Chinese attack on Vietnam with previous positions on Kampuchea and, at the same time, to preserve an image of independence from the Soviets. The parties resolved these conflicting pressures in three different ways. All three are enmeshed in domestic issues, and the Italians in particular have shown sensitivity to rank-and-file opinion in the construction of party positions.

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Wars between Communist states present doctrinal problems that complicate the standard considerations arising from the invasion of one country by another. How is it that Communist states can go to war? Are all sides concerned really "Communist"? What are the limitations of sovereignty for Communist parties and the states within their jurisdiction? While the positions of European Communist parties--particularly the French--sometimes came close to Moscow's especially on the Chinese invasion, they never really coincided. Italian and Spanish Communist leaders compared the recent fighting to the 1968 Warsaw Pact invasion of Czechoslovakia, thus reminding the Kremlin that Europeans are still applying the lessons of that event.

25X1

The Italian Communist Party

The Italian Communist Party (PCI) faced a dilemma: it admires Vietnam and disapproves of Pol Pot, but it also deplores armed intervention. Its first public statements--reflecting a position that was arrived at too hastily, according to an editor of L'Unita--came out in favor of the "liberation" of the Kampuchean people from the Pol Pot - Ieng Sary group. Italian Communists acknowledged Vietnam's role in the conflict, but the Kampuchean people themselves were said to have

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borne the brunt of the struggle. Romano Ledda, PCI Director of International Studies, wrote in L'Unita that the fall of Pol Pot must have been brought about from within; otherwise Vietnamese support would have been even greater. Ledda went out of his way to criticize China for having driven Hanoi into the arms of the USSR, but his support for Vietnam was not unconditional; he insisted that the question of national sovereignty remains fundamental, implying that Vietnam should not use its position to crush Kampuchean independence. [redacted] 25X1

An editorial in L'Unita on 10 January dismissed as "hypocritical" the criticism of Vietnam and the USSR by extreme leftists and rightists. L'Unita urged its readers to seek "rational" rather than "ideological" answers to the problem. It then went on, however, to wrestle with some of the ideological problems posed by a war between Communists--and wound up using US "imperialism" as a handy safety valve. [redacted] 25X1

When popular liberation movements transform themselves into states, the editorial argued, "contradictions" can develop as a result of national aspirations, historical considerations, and the unequal and unjust distribution of resources. Asserting what it touted as an "independent" PCI position, L'Unita stated that disagreements between Communist parties are serious, but it quickly added that the "strategies and hypocrisies" of the Carter Administration are just as serious. Indochina is a problem, asserted the editorial, but it should not distract people from the main problem--US imperialism. [redacted] 25X1

PCI maverick Lombardo Radice, in the 16 January L'Unita, stressed that the PCI should not have held back criticism of Pol Pot until he was ousted. Radice described the fallen regime as a "military" distortion of Communism warped by years of struggle against imperialism. He compared Phnom Penh's excesses to those of the Red Brigades and suggested that much bloodshed could have been avoided if Pol Pot's aberrations had been pointed out in time. Noting that most Communist regimes have had periods of difficult government transitions, Radice argued that Czechoslovakia might have provided a peaceful example, but "we know all too well how and by whom that peaceful change of political line was halted." [redacted] 25X1

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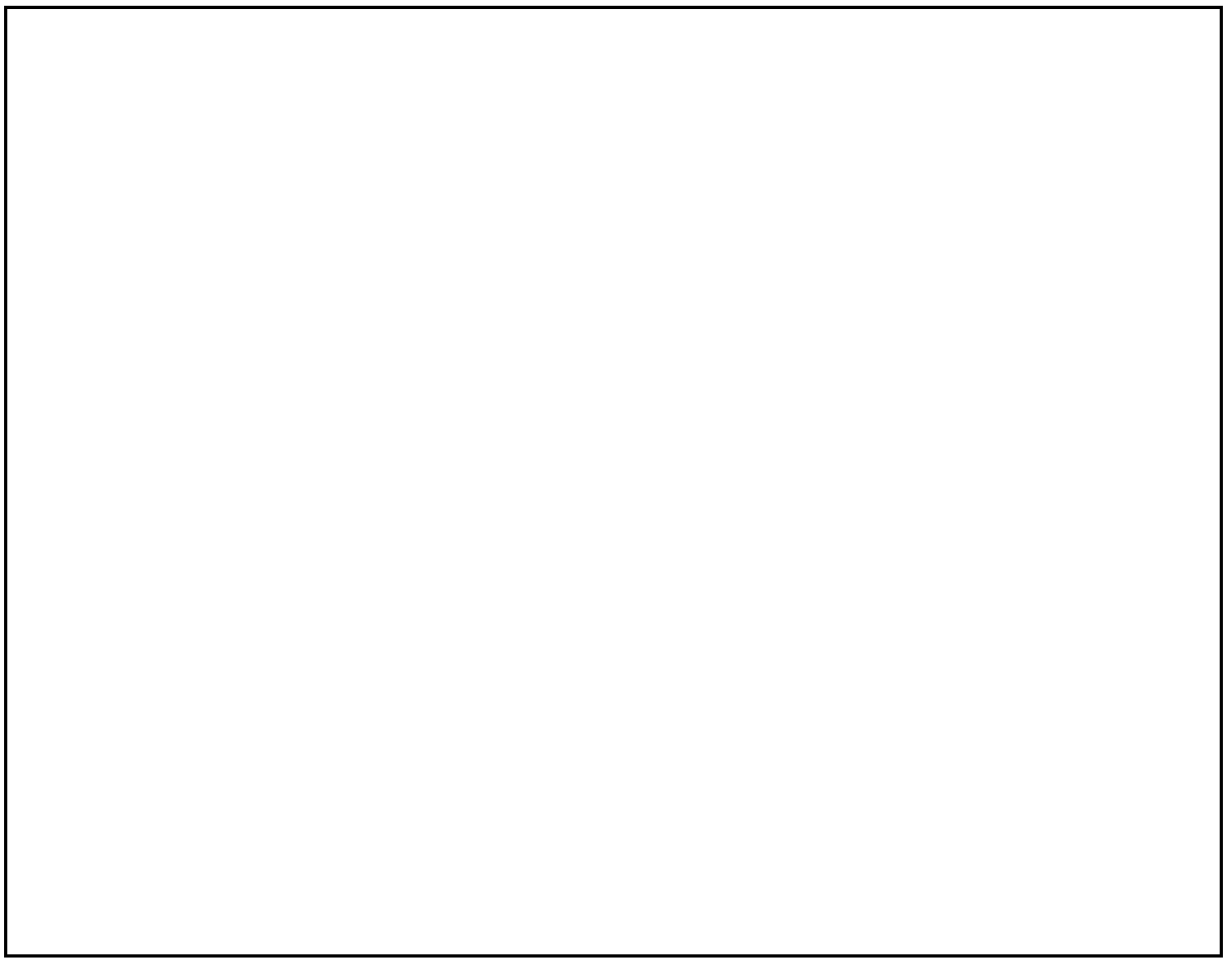

A La Stampa interviewer peppered Pajetta with questions on Kampuchea [redacted] 25X1

25X1 [redacted] Pajetta noted that a few weeks before the Chinese invasion a PCI delegation to Hanoi had taken the position "that no one should look on Kampuchea as a zone of influence and no one should use it as a theme of instrumental propaganda." [redacted] 25X1

The core of the PCI's line is now a reaffirmation of its position on interventionism. The party condemns both attacks "by countries claiming to be socialist," although it continues to criticize the Chinese attack on Vietnam more heavily than the Vietnamese invasion of Kampuchea. An implication of the PCI stance may be that plans for more formal contacts between the PCI and Chinese Communist Party will be postponed, but not canceled. 25X1 [redacted]

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The French Communist Party

There is no evidence of any vacillation in the French Communist Party (PCF) line. The PCF, whose foreign policy often parallels that of the CPSU, has come closer to Moscow on this issue than either of the other parties. A December PCF - Portuguese Communist Party communique stressed both parties' "solidarity with the Vietnamese people." After a 19 February meeting between Sergio Segre and Maxime Gremetz, heads of the foreign sections of the Italian and French parties, both sides expressed concern over China's attack on Vietnam and the resulting threat to peace. (An earlier meeting between Segre and Socialist Party chief Mitterrand had resulted only in a note of shared concern at developments in the international situation, "with special reference to Indochina.") 25X1

In January, the PCF clearly supported the overthrow of Pol Pot, charging his regime with extreme brutality. L'Humanite editor Yves Moreau, noting that the Chinese had stopped mentioning Pol Pot and Ieng Sary, questioned whether Beijing had given up on them. "Did they not govern in fact by methods of arbitrariness and terror more than those used in Beijing by the Gang of Four? . . ." 25X1

Moreau went on to claim that changes in Phnom Penh were a relief for the Khmer people, putting an end to tension between Vietnam and Kampuchea. The PCF, like the CPSU, has all but ignored the guerrilla war being carried out by the Khmer Rouge. 25X1

Even before the Chinese attack on Vietnam, party leader Marchais warned that French Communists would condemn any Chinese aggression in Southeast Asia. Speaking over Radio Monte Carlo on 9 February, Marchais stated that serious differences exist between his party and the Chinese (at no point did he refer to the Chinese leaders as Socialist or Communist). After listing the French party's complaints about Chinese support for NATO, European integration, and Chilean President Pinochet, Marchais charged Beijing with having "aggressive intentions with regard to the Socialist Republic of Vietnam." Marchais went on to warn the Chinese to keep their hands off Vietnam. Otherwise, he threatened to revive the anti-Vietnam war movement. 25X1

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Once the Chinese attack started, however, the French began to show signs of restraint, perhaps in reaction to the initially cautious Soviet comment. The 20 February L'Humanite published the text of a Chinese statement discussing the possibility of withdrawal from Vietnam and an article demanding that such action be immediate. The PCF called again for the resurrection of the antiwar movement, but its message to Beijing was more of a plea than a threat: "When we should be jointly fighting Imperialism--the only enemy of the people advancing along the path of their national and social liberation--it is particularly painful and unjustifiable for one socialist country to attack another. . . ." [redacted] 25X1

The Spanish Communist Party

During the months preceding Vietnam's invasion of Cambodia, the Spanish Communist Party (PCE), weak in votes and stong in criticism of the USSR, concentrated on the Spanish election campaign. At first, Spanish Communists simply declared that the Vietnamese-Kampuchean conflict, still in its festering stages, should be settled through negotiations. Those who fought against US imperialism, the party maintained, should be able to settle their differences peacefully. [redacted] 25X1

The PCE, like the PCI, deplored Khmer Rouge abuses and considered the rapidity of Pol Pot's fall to be evidence of his lack of popular support. Unlike the PCI, however, the PCE expressed reservations soon after the new Kampuchean Government came to power. "Nobody forgets the example which the Vietnamese people showed the world when confronted with imperialist aggression, but what cannot be justified is the use of weapons and aggression as a means of resolving disputes between socialist states" (Mundo Obrero, 9 January). Pol Pot, despite his abuses, was a Socialist. Vietnam, despite its record, was an aggressor. [redacted] 25X1

Beyond this, the PCE worried about the Soviet role. "Intervention by the big powers, by themselves or through intermediary countries, endangers the countries' independence. The manipulation of some countries by others is a danger from which nobody would be excluded." [redacted] 25X1

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PCE leader Carrillo himself denounced "China's invasion of Vietnam." At a meeting in Sestao, Carrillo expressed his indignation at a people who struggled for decades against US imperialism being attacked by those "who call themselves" Communists. [redacted] 25X1

The official PCE communique (20 February) condemned China, but only in the context of previous condemnations of Vietnam's role in Kampuchea and the USSR's in Czechoslovakia. The PCE stressed this latter point as it called Yugoslav President Tito and Romanian President Ceausescu, two Communist leaders actively concerned about interventionism, to bring the Sino-Vietnamese war to the attention of the UN. [redacted] 25X1

The American Connection and the Soviet Response

The PCE was the strongest in its condemnation of the US role in the Chinese invasion. A 20 February Mundo Obrero editorial affirmed that Washington not only knew of the Chinese attack well in advance--probably having had Chinese intentions confirmed during Deng Xiaoping's (Teng Hsiao-ping) visit to the United States--but actually desired it. The United States, it charged, considered China's action to be punishment for the US defeat in Vietnam. The PCE alleged that the logic of the situation, if carried to the extreme of a Sino-Soviet conflict, might serve the Americans as revenge for the Russian and Chinese revolutions as well. [redacted] 25X1

The PCF also took a hard line, claiming that the United States clearly had connived in the attack and afterward had tried to justify it. Yevgeniy Babenko of TASS emphasized the French position under its heading "Who Supports Aggression"? According to Babenko, the PCI spoke of US sympathy for and understanding of Beijing and US connivance in the attack as an expression of bourgeois hatred for the socialist community. TASS made no mention of the Spanish statement of 20 February. [redacted] 25X1

The USSR did not approve of parties that connected one invasion with the other. To do so, according to the Soviets, was to make the situation of the aggressor equal to that of his victim. On 23 February TASS clearly showed how the Soviets viewed Western Communist positions. The PCF was included in a list of those parties that had

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made special statements condemning China. Italy was only mentioned through the Segre-Gremetz meeting, where the communique made no mention of Kampuchea. The PCE, having connected Indochina and Czechoslovakia, was not mentioned at all. [redacted] 25X1

Beyond expressing its approval or disapproval in such ways, the USSR might use the Indochina conflict as an excuse to renew pressure for a worldwide conference to excommunicate China and reaffirm the principle of proletarian internationalism. Such a move would find no more favor in Madrid or Rome than previous attempts to call such a gathering. French Communists would probably resent the move as well, since any hint of acceptance of such an idea would aggravate splits in a party already involved in a serious debate about its doctrinal and political future. [redacted] 25X1

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Norway: The Politics of Oil [redacted] 25X1

Norway's surplus oil revenues clearly have been a bonanza for the Norwegian economy, but they have also brought on a host of unforeseen problems. The governing Labor Party finds itself championing a tough austerity program while the nonsocialist opposition parties--which have long had to take a back seat--have benefited from the government's apparent inability to manage the new source of wealth, now 10 percent of the state's income. There is strong multiparty support for the use of oil revenues to underwrite economic development, but sharp party differences over the means and specific goals seem certain to tax the minority Labor government's staying power in the months ahead. [redacted] 25X1

The Norwegian Government, in the first years after the discovery in 1969 of oil and gas deposits in the North Sea, borrowed heavily in anticipation of future oil income to finance an elaborate social welfare system. The government's timetable for repayment, however, was knocked askew by exaggerated predictions about oil production and revenue, expensive delays in exploration, and massive cost overruns at offshore platforms. Moreover, heavy expenditures were made to bail out ailing companies and industries. The net result was to inflate wages and the demand for imports at home and reduce the competitiveness of Norwegian goods abroad. By mid-1978, Norway's foreign debt reached $15 billion, equal to 30 percent of its gross national product. [redacted] 25X1

The Labor Party has survived two national elections and a change of leadership during this time, but has seen the Conservatives make steady gains in popular support. Prime Minister Nordli, who has led the government since 1973, last year instituted a tough austerity program of wage and credit restraints to redress Norway's failing ability to compete. A prime objective is to bring about structural changes to the Norwegian economy through the gradual elimination of subsidies. So far,

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the effort, which is overwhelmingly backed by the Norwegian public, seems to be working. Labor and industry organizations, however, are critical of the government's approach and opposition parties have threatened to block implementing legislation. [redacted] 25X1

Development Strategy

The Labor government's attempts to work out a comprehensive plan for using the oil revenues have been complicated by its reliance on a small leftwing Socialist party to maintain its one-vote margin in Parliament. Until recently this has not been a serious problem, since the nonsocialist parties have been in general agreement with Labor's program. The Conservatives, however, are obviously emboldened by recent gains in opinion polls and have begun to criticize Labor for blaming external factors--international economic developments--for Norway's economic problems. [redacted] 25X1

In January, in a move that nearly caused the government to collapse, the Conservatives were instrumental in blocking a long-term swap of Norwegian oil for Swedish technology--the Volvo deal--despite earlier pledges of support. Under the terms of the multifaceted deal negotiated by the Norwegian state oil company and Volvo, Norway agreed to supply Sweden with oil in return for timber over a 20-year period. The Norwegians were also to get a 40 percent share of the automobile company, while Volvo would receive oil exploration rights. The Labor government had hoped the deal would serve as the cornerstone of its oil development-modernization scheme, but the agreement ran into strong opposition in both Sweden and Norway. It was finally jettisoned before coming to a vote in Parliament, which the government was certain to lose. [redacted] 25X1

The opposition from the Conservatives, who found themselves aligned with the leftist Socialists on this particular issue, underscores the growing importance of the various parties' economic development philosophies in the disposition of the oil revenues. The Labor Party, along with a substantial number of Conservatives, believes that a continuous process of structural economic adjustment is necessary to preserve the Norwegian way

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of life. They advocate a "moderate" tempo of oil development with extensive state participation and with the profits plowed into industrial modernization. In contrast, the smaller parties--including the leftist Socialists--and some Conservatives believe that little real change is needed. These groups would go slowly on current oil exploitation, severely restrict future oil development, and use the revenues to preserve agrarian and small town interests. They are especially worried that the growth of an industrial society will undermine traditional Norwegian values. [redacted] 25X1

The Labor government is determined to press ahead with industrial development, but will probably have to back off somewhat from such major undertakings as the Volvo deal. The Conservative-led opposition is not against increased Nordic cooperation, but it does believe that cooperation will develop naturally and need not be forced by the government. For the Conservatives, the past few months have clearly proved politically invigorating, and they can be expected to keep exploiting Labor's vulnerabilities on such issues as oil development. [redacted] 25X1

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[redacted]

Canada: Tory Victory Seems Certain in Alberta Election

25X1 [redacted]

Premier Peter Lougheed has called the voters of resource-rich Alberta to the polls on 14 March in an election certain to return his Progressive Conservative (Tory) government to power for the third straight time. The Tories could even fulfill their campaign slogan--"79 seats in 79"--and win every seat in the legislature. Albertans enjoy a privileged position in the Canadian federation--they not only earn more than the national average, but they pay the lowest taxes in the country--and Lougheed's vigorous efforts to protect this position are expected to be as potent an electoral platform this
25X1 time around as in 1975. [redacted]

Lougheed is also wooing the voters with major new spending programs. Last month he:

-- Gave the municipalities $1 billion (Canadian dollars) to help ease the debts.

-- Said the province would subsidize low-interest mortgages for low-income families at a cost of about $200 million per year.

-- Announced an expanded program to help handicapped citizens. [redacted] 25X1

Opposition parties--Social Credit, New Democratic Party, and the all-but defunct Liberal Party--criticize these spending programs as insufficient and outline further spending plans of their time. The opposition will exploit what it sees as Lougheed's insensitivity to social policy issues as well as his slowness in diversifying Alberta's economy. Any inroads opposition spokesmen make will not be enough to overturn the Tory
25X1 majority. [redacted]

Lougheed's campaign will center on his call for "strong leadership" to defend Alberta's constitutional

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Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010010-0

rights, natural resources and, as a corollary of natural resources, the Alberta Heritage Savings Trust Fund. On these three subjects, Lougheed's attitude is that of the beleaguered pioneer with his wagons drawn into a circle to fight off marauders. It stems from his belief--widespread in the Canadian west--that Ottawa runs the country for the benefit of the populous, vote-filled center (Ontario and Quebec), and would not hesitate to sacrifice Alberta's interests thereto. And Alberta has hefty interests: nearly 85 percent of Canada's oil and gas and some coal deposits. Lougheed is heavily backed by Alberta's large and powerful oil interests in his reelection bid. [redacted] 25X1

Recent disputes between Alberta and Ottawa involve oil pricing and gas export policies. Alberta wants to export more gas and bring the price of domestic oil up to world prices. Ottawa wants to be sure there are sufficient gas reserves for Canada before authorizing additional exports and to delay agreed oil price hikes as part of its fight against inflation. Compromises are in process on both these issues. [redacted] 25X1

Prime Minister Trudeau said on 23 February that Canada would allow exports of as much natural gas as the National Energy Board declares surplus--2 trillion cubic feet, potentially available for export in the next four to eight years according to findings published last week--a step that will please gas producers and will also earn Canada some needed foreign exchange. Alberta had already agreed to delay the oil price rise due last January for six months, a move designed to show its concern for national problems and to undercut any incipient federal moves to make Albertan intransigence an issue in the coming federal election campaign. [redacted] 25X1

Although Lougheed enjoys the head-on bargaining that these disputes entail, he wants to ensure a strong hand. To this end, he insists at such forums as federal-provincial constitutional conferences that any new constitution must include provincial control over resources and refuses to accept any wording that would erode Alberta's prerogatives in this area. In February, at the latest constitutional conference, only Alberta and Quebec (whose separatist government has no interest in promoting constitutional reform) would not agree to a

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constitutional formulation that would make clear that resources fall under provincial control except in cases of "compelling national interest." Alberta insists that the affected provinces must be involved in all decision-making about resources with no exceptions. To charges that this strong regionalist stand damages the Canadian confederation, Lougheed replies that Canada will be stronger if the regions are stronger. [redacted] 25X1

"FROM WHICH DIRECTION DO WE EXPECT THE HORDES, SIR?"

[redacted] © 25X1

An integral part of the province's resources policy is the Heritage Fund. Since early 1976 it has collected 30 percent of Alberta's nonrenewable resource revenues and will accumulate between $10 billion and $12 billion by the early 1980s. The Fund was set up to diversify the Alberta economy before the nonrenewable resources run out. [redacted] 25X1

[1]This cartoon was taken from Ottawa Journal, 17 February 1979.

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Lougheed clearly distrusts the intentions of other Canadian leaders toward this huge nest egg and warns that "they're coming at us" to "get at the Alberta Heritage Savings Trust Fund one way or another." While this protective pitch will appeal to the homefolks, opposition complaints on how the fund is administered will be harder to counter. The opposition, and even some Tories, are unhappy that the fund is administered by the Cabinet without legislative approval and little oversight. And while the Tories have put money into new industries, such as petrochemicals, opposition critics say it is not enough. Much of the money is now in short-term securities because of the government's dilemma over how to invest such immense amounts of money without disrupting the provincial economy. [redacted] 25X1

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